

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

PD-ARX-742
71453

January 15, 1991

Mr. Hernando de Soto Polar
President
Institute for Liberty and Democracy (ILD)
Lima, Perú

SUBJECT: Cooperative Agreement No. 519-0349-A-00-1039-00

Dear Mr. de Soto:

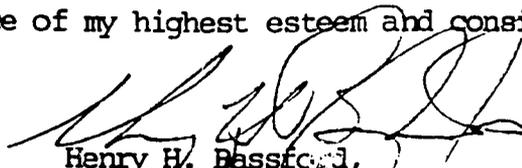
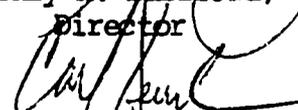
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Cooperative Agreement Act of 1971 (P.L. 95-224), the Agency for International Development (hereinafter referred to as "A.I.D." or "Grantor") hereby enters into a Cooperative Agreement with the Institute for Liberty and Democracy (ILD) (hereinafter referred to as "ILD" or "Recipient") for the sum of \$250,000 to provide support to the program described in Attachment I entitled "Schedule", and Attachment II entitled "Program Description", of this Agreement. The total estimated cost of this program is \$250,000

This Cooperative Agreement is effective and obligation is made as of the date of this letter, and shall apply to commitments made by the Recipient in furtherance of project objectives through June 30, 1991.

This Cooperative Agreement is entered into with ILD on condition that the funds be administered in accordance with the terms and conditions set forth in Attachment I, entitled "Schedule"; Attachment II, entitled "Program Description"; Attachment III entitled "Illustrative Financial Plan"; and Attachment IV entitled "Standard Provisions" effective as of March 30, 1989, which have been agreed to by your organization.

Please sign the original and six (6) copies of this letter to acknowledge receipt and return the original and five (5) copies to USAID/El Salvador.

Please accept the assurance of my highest esteem and consideration.


Henry H. Bassford,
Director

Carl Derrick
Agreement Officer

Acknowledged:

By: 
Name: HERNANDO DE SOTO
Title: PRESIDENT
Date: 1/25/91

Attachments:

- I. Schedule
- II. Program Description
- III. Illustrative Financial Plan
- IV. Standard Provisions

FISCAL DATA

Appropriation:	72-119/01037
Budget Plan Code:	LES9-89-25519-KG13
Funding Source:	USAID/El. Salvador Project No. 519-0349
Total Estimated Amount:	\$250,000.00
Total Obligated Amount:	\$250,000.00

COOPERATIVE AGREEMENT SCHEDULE

A. Authority, Purpose and Program Description

The purpose of the project is to provide the Government of El Salvador technical assistance to: (1) establish a modern and efficient property registry system to be used initially for residential properties in urban informal settlements; and (2) develop a plan for a broader program of institutional reforms designed to simplify administrative procedures and to increase government responsiveness to citizen needs. The Program is more fully described in Attachment I entitled "Program Description".

B. Funds Obligated, Payment, Estimated Cost and Cost Sharing

1. A.I.D. hereby obligates the amount of \$250,000 for purposes of this Cooperative Agreement. Funds obligated hereunder are available during the period of the Agreement for program expenditures as set forth in the Financial Plan contained herein. The total estimated amount of the A.I.D. contribution for this Agreement is Two Hundred and Fifty Thousand U.S. Dollars (\$250,000), which will encompass a period from the effective date of this Agreement until June 30, 1991. Costs incurred beginning January 1, 1991, but prior to the effective date of this agreement for work performed in support of the Project Purpose may be reimbursed up to the amount of \$10,000.

2. Payments shall be made to the Recipient in accordance with procedures set forth in the optional Standard Provision entitled "Payment - Periodic Advance," (November 1985), contained in Attachment No. 4, entitled Standard Provisions for Non-U.S. Non-Governmental Grantees.

3. The Recipient will submit to A.I.D. a cash needs projection by month for the initial 90 day period following the effective date of this Agreement and three SF-1034 forms, one requesting an advance for each of the three months. A.I.D. will advance the funds required by the Recipient prior to the beginning of each monthly period.

4. Throughout the period of the Agreement, the Recipient will be advanced funds for each succeeding 30 day period based upon projections of cash needs, liquidations of prior advances and received cash on hand. Additional funds will be advanced to the Recipient for succeeding 30 day periods based upon timely submission of monthly reports to A.I.D. of actual disbursements and updated projections of cash needs.

5. Ten days after the end of each month, the Recipient shall submit a report of actual disbursements made in accordance with the Standard Provisions. At the same time, the Recipient shall submit an updated cash needs projection showing funds needs for the second month of the succeeding 90 day period. This report shall reflect funds already advanced for the first

month and those requested for the current month, i.e., the report covering October expenditures should include an updated cash needs projection for November, based on funds advanced and on hand from the first month and those requested for the next month.

6. Approximately 5 days before the beginning of the second month, A.I.D. will advance the net amount of cash required for the Recipient's operations for the current 30 day period.

C. Substantial Involvement Understandings

USAID/El Salvador will participate in the activities under this Agreement in the following manner:

1. Monthly progress reports will be provided to USAID/El Salvador detailing project activities for the month. This reports will also include the names of the persons who have worked in project activities, the dates worked and the place where the task was performed.

2. USAID will monitor Project implementation to assure that the terms and conditions of this Agreement are met. Project monitoring will be exercised principally by a Project Manager assigned from the USAID/El Salvador Office of Projects.

3. Copies of all reports prepared by personnel and/or consultants financed with funds under this Cooperative Agreement will be provided to A.I.D.

D. Period of Agreement

The period of this Cooperative Agreement is from the effective date through June 30, 1991, unless subsequently amended by mutual agreement of the Recipient and A.I.D.

E. Reports and Evaluations

The Recipient shall submit the following reports at the time intervals specified below:

1. Financial Status Reports

Financial monitoring of the revenues and expenditures of the program shall be performed on a monthly basis through reports which shall be developed jointly by ILD and A.I.D. These reports will include the "Federal Cash Advance Status Report (W-245)," as described in the provision entitled "Payment - Periodic Advance" of the attached Standard Provisions and other reports as required by A.I.D. through Project Implementation Letters. These reports should be submitted to the Controller's Office, USAID/El Salvador every month, with copies to the Office of Projects, USAID/El Salvador.

2. Program Progress Reports

The ILD shall monitor performance under the Agreement and ensure that time schedules are being met, projected activities by time periods are being accomplished, and other performance goals are being achieved. Based upon this monitoring, the ILD shall submit monthly status reports providing information on each of the activities described in the Project. These reports will include but not be limited to: a summary of activities carried out during the reporting period, specifying goals and achievements accomplished as of the date of the report, and actions planned for the next month. The first monthly progress report will be submitted no later than February 28, 1991, covering activities through January 31, 1990. Subsequent reports will be due at monthly intervals.

3. End-of-Project Report.

The ILD shall submit an end-of-project report within 30 days after completion of the Project, summarizing information contained in the monthly progress reports and any evaluations conducted.

F. Illustrative Financial Plan

The Illustrative Financial Plan for the Project is set forth in Attachment III of this Agreement. Revisions to this plan shall be made in accordance with the Mandatory Standard Provision No. 4 of this Grant entitled "Revision of Grant Budget" (May 1986). Actual expenditures may vary by up to 15% from the line items shown in the Illustrative Financial Plan without prior written approval by A.I.D., provided that the total amount of funds obligated is not exceeded. Any variations in excess of 15% must be approved, in advance and in writing, by A.I.D.

G. Special Provisions

1. Conditions Precedent to First Disbursement

Prior to the disbursement of funds by A.I.D. to ILD, or to the issuance by A.I.D. of documentation pursuant to which disbursements made, the ILD will, except as A.I.D. may otherwise agree in writing, provide:

- a. a statement of the name(s) of the person(s) empowered in ILD to act on behalf of the Recipient on matters related to financing provided under this Agreement and of any additional representatives, together with a specimen signature of each person so designated; and
- b. evidence that ILD has established a separate bank account to control the receipt and disbursement of A.I.D. funds provided under this Agreement, including the complete bank account number and name.

2. Covenants

- a. The ILD covenants to pay no more than reasonable prices for any goods and services financed in whole or in part under this Agreement. The ILD shall employ good commercial practices in the procurement of goods and services under this Agreement to assure the most effective use of the funds provided.
- b. All training in the U.S or third countries financed under this Project will be accomplished in accordance with the policies, allowances, guidance and reporting requirements of A.I.D. Handbook 10, Participant Training, unless otherwise agreed to by A.I.D. in writing.
- c. The ILD shall maintain a drug-free workplace in compliance with the certification provided to A.I.D.. Violations of the requirements to maintain a drug-free workplace may subject the Recipient to suspension of disbursements, termination or suspension of this Agreement, ineligibility to receive grant assistance and such other remedies as A.I.D. may deem appropriate. Violations include the failure to comply with the certification, presentation of a false certification, or evidence that such a number of employees have been convicted of violations of criminal drug statutes for acts occurring in the workplace as to indicate that the IABF has failed to make a good faith effort to provide a drug-free workplace.

3. Authorized Geographic Code

In accordance with the approved Waiver, the authorized geographic code for the procurement of goods and services under this Agreement is Code 935.

4. Indirect Expenses

There shall be no overhead charged under the Agreement. An amount not exceeding \$23,800 shall be used for office support and miscellaneous costs. In no event shall ILD exceed this amount without prior USAID written approval. Fringe Benefit rate is fixed for the life of agreement at 20.5% of direct labor costs.

H. Applicable Standard Provisions

Attachment IV contains the Standard Provisions, effective as of the date of this Agreement (dated 1989). All mandatory Standard Provisions are in force under this Agreement. The optional Standard Provisions checked off in the list below are also in force under this Agreement:

1. Payment - Periodic Advance	<u>X</u>
2. Payment - Cost Reimbursement	<u> </u>
3. Air Travel and Transportation	<u>X</u>
4. Ocean Shipment of Goods	<u>X</u>
5. Procurement of Goods and Services	<u>X</u>
6. AID Eligibility Rules for Goods and Services	<u>X</u>
7. Subagreements	<u> </u>
8. Local Cost Financing	<u>X</u>
9. Patents Rights	<u> </u>
10. Publications	<u>X</u>
11. Nondiscrimination	<u>X</u>
12. Regulations Governing Employees	<u>X</u>
13. Participant Training	<u> </u>
14. Voluntary Population Planning	<u> </u>
15. Protection of the Individual as a Research Subject	<u> </u>
16. Negotiated Overhead Rates Provisional	<u> </u>
17. Government Furnished Excess Personal Property	<u> </u>
18. Title to and Use of Property (Grantee Title)	<u> </u>
19. Title to and Care of Property (U.S. Government Title)	<u> </u>
20. Title to and Care of Property (Cooperating Country Title)	<u>X</u>
21. Cost Sharing (Matching)	<u>X</u>

PROGRAM DESCRIPTION

A. PROJECT PURPOSE

The purpose of the project is to provide the Government of El Salvador technical assistance to: (1) establish a modern and efficient property registry system to be used initially for residential properties in urban informal settlements; and (2) develop a plan for a broader program of institutional reforms designed to simplify administrative procedures and to increase government responsiveness to citizen needs.

B. PROJECT ACTIVITIES

1. Registry

The Institute for Liberty and Democracy (ILD) will provide the GOES with expert technical assistance in the development of a new property registry system that will initially be used for titling property in informal urban settlements. Once proven efficient, it is intended that this registry would be expanded to include property throughout the country. Specifically, ILD will:

(1) research and identify the legal, technical and financial constraints to titling property in urban informal settlements;

(2) develop the operational framework for an efficient property registry for urban informal settlements;

(3) develop a draft law establishing the legal framework for implementation of the proposed new property registry system and a public education strategy for promoting said reform;

(4) prepare a detailed workplan for the implementation of the new property registry system. The workplan will encompass four phases, as follows: (a) establishment of a technical unit in San Salvador responsible for operation of the new registry; (b) implementation and evaluation of a pilot program in an informal urban settlement in San Salvador; (c) implementation of a pilot program in a rural area; and (d) expansion of the pilot programs country-wide, including the establishment of regional offices as required. These workplans will specify organizational structures, operational relationships with other government and private organizations, staffing and equipment needs, and a training plan.

2. Administrative Simplification

ILD, working with the Ministry of Planning of the Government of El Salvador (GOES), will develop a workplan for a program of institutional reform designed to simplify administrative procedures. This workplan will detail the various stages of work envisioned, including research to identify priority areas for reform and legal barriers to such reforms, preparation of draft laws to implement priority reforms, and the establishment of a permanent institutional mechanism for carrying out identified reforms as well as those to be identified in the future. The objective of this aspect of the Project is to facilitate participation in the economy and reduce the transaction cost of formalizing businesses.

3. Democratization of Decision-Making

ILD will assist the Government of El Salvador to develop procedures and channels which facilitate citizen access to Government officials, information and decision-making. Increased citizen access will help to ensure various points of view are taken into account in the formulation and implementation of government policies and programs, as well as support increased accountability of public sector employees and officials. Activities will include: (1) research to identify existing procedures for formulation of laws; (2) the formulation of recommendations to improve public participation during the drafting of laws and government policies, and to achieve greater transparency in, and increased accountability of civil servants for, decision making. Recommended mechanisms to achieve the foregoing may include public audiences, greater use of the media to disseminate draft proposals, and other for a broadening public access to information now currently available only to a limited audience.

4. Training

For each of the activities described above, ILD will, during the research and implementation phase, provide on-the-job training for personnel directed by the GOES in order to ensure that project activities may be continued and the methodology used replicated in pursuing other institutional reforms. The personnel trained must be able, with ILD support, to determine the areas where institutional reform would have the greatest impact.

D. WORK PRODUCTS

As indicated in their proposal, ILD will produce the following reports:

1. A workplan detailing the phases of research and design of the draft law for the new property registry.
2. A Draft Law and Implementing Regulations for the establishment of the new property registry for urban informal settlements.

3. A Strategy for Public Education to build public understanding and support for the new property registry program.

4. A detailed Implementation Plan for the property registry system. This will include a detailed description of the activities that should be carried out, the organizational structure recommended for its implementation, cost estimates, and a timetable for each activity.

5. A Workplan for the Administrative Simplification Program.

6. A Workplan for the Democratization of Decision-Making Program.

7. A training manual on the operation of the proposed property registry system.

D. Human Resources:

To accomplish the above program of activities, ILD will provide expert technical assistance to the Government of El Salvador, represented by the Vice-Minister of Planning and Coordination for Economic and Social Development, or his designee. This expert technical assistance will include, at a minimum, the following:

- 1.5 months of the ILD's Founder's time (Hernando de Soto)
- 6.0 months of the ILD Property Registry Specialist (Forsyth)
- 6.0 months of a Training Expert (Salguero)
- 3.0 months of a Housing Specialist (Cornejo)

A schedule for the work to be undertaken hereunder will be developed in conjunction with the designated GOES counterpart and approved by A.I.D. This schedule will provide for sustained periods of work in El Salvador during the preparation of the detailed workplans.

FINANCIAL PLAN

1. <u>PERSONNEL</u>		\$156,230
Directors		
Hernando de Soto, Policy Specialist		
\$6,500/month x 1.5 months	\$ 9,750	
Project Manager		
\$6,500/month x 3.0 months	\$19,500	
Technical Specialists		
Training (1.5 months)		
Property Registry (6 months)		
Housing (3 months)		
Administrative Simplification (1 month)		
Democratization Decision Making (1 month)		
\$4,000/month x 12.5 months	\$50,000	
Technical Staff		
Training (6 months)		
Property Registry (3.5 months)		
Administrative Simplif. (1 month)		
Decision-Making (1 month)		
Promotion (2 months)		
\$3,000/month x 13.5 months	\$40,500	
Administrative Support		
Accountant \$900/month x 6 months	\$ 5,400	
Secretaries \$500/month x 9 months	\$ 4,500	
Benefits (20.5% of salaries))	\$26,580	
2. <u>TRAVEL AND PER DIEM</u>		\$ 51,950
18 round trip tickets San Salvador/Lima (\$1,425 each)	\$25,650	
270 days in San Salvador (\$77 per day)	\$20,800	
Miscellaneous (visas, excess baggage)	\$ 5,500	
3. <u>OTHER DIRECT COSTS</u>		\$ 36,200
Computer Rental in Lima for 6 months	\$ 6,000	
Purchase of a Computer en El Salvador	\$ 6,000	
Transportation in Lima (Training)	\$ 400	
Other Office Support and Miscellaneous Costs	\$23,800	
4. <u>CONTINGENCIES</u>		\$ 5,620
T O T A L		<u>\$250,000</u>